



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FY2019-20

CITY COUNCIL MEETING

Jovan D. Grogan, City Manager / Interim
Finance Director

February 23, 2021



Objective

- Receive the Comprehensive Annual Financial Report, Measure A and Measure W Report, Memorandum on Internal Controls and Other Communications (MOIC) for the fiscal year ended June 30, 2020.



Agenda

1. CAFR – Nuts & Bolts
2. Results of Audit
3. Financial Highlights
 - A. General Fund
 - B. Enterprise Funds
4. Memorandum on Internal Controls
5. Pension Liability
6. Measure A & W Reports
7. Request to Council
8. Questions



CAFR – Nuts & Bolts

1. The City retains Maze & Associates as the City's External Auditor
2. Major Sections
 - Introduction
 - Financial Section
 - Notes to the Financial Statements
 - Statistical Section

Overview of Audit Process

Maze and Associates – we are an independent CPA firm, independent of City of San Bruno.

Interim Phase

- Planning and Brainstorming
- Internal Control Testing
- Segregation of Duties

Final Phase

- Testing of Balances
- Financial Statement Preparation

Results of Audit

Independent Auditor's Report - Opinion

City's financial records are fairly stated, in all material respects... conformity with accounting principles generally accepted (GAAP) in the USA.

Background:

- Independent
- Auditing standards generally accepted in the USA

Result:

- **Unmodified (i.e.. Clean) Opinion**

Memorandum on Internal Controls

- **Material Weakness/Risk to General Fund**
- **CityNet Not Operating as True Enterprise Fund**
 - Negative Fund Balance for multiple fiscal year
 - Deficit Net Position has grown over the years
 - Need to evaluate Fiber-to-the-Home project after an updated business plan is completed by an independent third party.
- **Re-evaluate how CityNet is accounted for after business plan is completed.**
Another option:
 - Fold CityNet into General Fund to reflect how it is actually being operated



City Financial Presentation

Financial Statement Highlights – General Fund (FY 2019-20)



- Fund balance decreased by \$1.8 million to \$27.4 million during the year.
- Revenue shortfalls from taxes, licenses and permits, charges for services
 - Sales taxes came in \$0.6 million (7.8%) under budget
 - Tanforan mall department store closures
 - COVID-19 and resulting shelter-in-place order
 - Business taxes came in \$0.7 million (26%) under budget
 - Skypark airport parking facility ceased operations
 - Transient Occupancy Tax came in \$0.9 million (26%) under budget

Financial Statement Highlights – General Fund (FY 2019-20)



- Licenses & permit revenue came in \$2.5 million (41%) under budget
 - Large development projects were delayed
- Charges for services came in \$0.8 million (21%) under budget
 - Recreation program closures due to Covid-19 and resulting shelter-in-place order
- Use of money & property was \$1.1 million (109%) over budget
 - Investment fair market value adjustment **accounting treatment**

Financial Statement Highlights – General Fund (FY 2019-20)



- Overall expenditures were \$2.2 million (4%) underbudget due to salary savings
 - Parks & recreation services were \$0.8 million (14.3%) under budget
 - Vacant positions
 - Program supplies and contractual services savings due to Covid-19 and resulting shelter-in-place order
- Capital outlay was \$0.6 million (89.3%) under budget
 - Deferred vehicle and equipment purchase

Financial Statement Highlights – General Fund Revenues (Budget & Actual)



Revenue	<u>Final Budget</u>	<u>Actual</u>	<u>Change</u>
Taxes	\$28,178,923	\$26,503,085	\$(1,675,838)
Licenses and Permits	6,139,808	3,631,419	(2,508,389)
Intergovernmental	5,358,095	5,268,188	(89,907)
Charges for Services	3,701,506	2,918,239	(783,267)
Fines and Forfeitures	803,000	749,539	(53,461)
Use of Money and Property	998,462	2,091,416	1,092,954
Other Revenues	<u>4,593,062</u>	<u>5,142,734</u>	<u>549,672</u>
Total Revenue	\$49,772,856	\$46,304,620	\$(3,468,236)

Financial Statement Highlights – General Fund Expenditures (Budget & Actual)



Expenditures	<u>Final Budget</u>	<u>Actual</u>	<u>Change</u>
General Government	\$6,119,719	\$6,470,168	\$350,449
Public Safety	28,342,974	27,331,814	(1,011,160)
Public Works	1,205,757	1,447,402	241,645
Streets	2,031,614	1,837,434	(194,180)
Parks and Recreation	6,475,282	5,665,481	(809,801)
Library	2,192,275	2,090,188	(102,087)
Community & Economic Development	3,001,871	2,876,328	(125,543)
Capital Outlay	<u>1,267,274</u>	<u>669,484</u>	<u>(597,790)</u>
Total Expenditures	\$50,636,766	\$48,388,299	(2,248,467)

Change in Fund Balance (FY 2019-20)



	<u>Final Budget</u>	<u>Actual</u>	<u>Change</u>
Beginning Fund Balance	\$29,154,319	\$29,154,319	
Net Operations (Revenue/Expenses)	(863,910)	(2,083,679)	(1,219,769)
Net Other Financing Sources (Uses)	773,584	294,183	(479,401)
Ending Fund Balance	<u>\$29,063,993</u>	<u>\$27,364,823</u>	<u>\$(1,699,170)</u>



General Fund Available Reserves

Item	Reserve Type	Amount (\$ Millions)
1	General Fund Reserve	\$11.8
2	General Fund Contingency	1.3
3	Emergency Disaster Reserve	1.9
4	Capital Improvements/One-Time Initiative	4.6
5	One-Time Revenue	1.0
6	Measure G District Sales Tax	0.5
7	General Fund Equipment Reserve	<u>3.3</u>
	Total	\$24.4
	CityNet Services – Cash Deficit	<u>(13.6)</u>
	Adjusted General Fund Reserves	\$10.8

Financial Statement Highlights – Water Fund (FY 2019-20)



	Water
Operating Revenues	\$16,936,737
Operating Expenses	<u>11,519,915</u>
Operating Income (Loss)	5,416,822
Non-Operating Revenues (Expenses), net	246,717
Change in Net Position	5,663,539
Beginning Net Position	<u>54,304,501</u>
Ending Net Position	<u>\$59,968,040</u>
Unrestricted Net Position/Fund Balance	<u>\$30,078,540</u>

Financial Statement Highlights – Wastewater Fund (FY 2019-20)



	Wastewater
Operating Revenues	\$18,230,960
Operating Expenses	<u>11,434,606</u>
Operating Income (Loss)	6,796,354
Non-Operating Revenues (Expenses), net	(531,403)
Change in Net Position	6,264,951
Beginning Net Position	<u>54,324,973</u>
Ending Net Position	<u>\$60,589,924</u>
Unrestricted Net Position/Fund Balance	<u>\$28,674,728</u>

Financial Statement Highlights – Stormwater Fund (FY 2019-20)



	Stormwater
Operating Revenues	\$650,555
Operating Expenses	<u>2,293,329</u>
Operating Income (Loss)	(1,642,774)
Non-Operating Revenues (Expenses), net	19,084
Transfers In/(Out), net	<u>1,269,703</u>
Change in Net Position	(353,987)
Beginning Net Position	<u>5,913,843</u>
Ending Net Position	<u>\$5,559,856</u>
Unrestricted Net Position/Fund Balance	<u>\$454,611</u>

Financial Statement Highlights – CityNet Fund (FY 2019-20)



	CityNet
Operating Revenues	\$9,303,573
Operating Expenses	<u>11,049,927</u>
Operating Income (Loss)	(1,746,354)
Non-Operating Revenues (Expenses), net	(3,063)
Change in Net Position	(1,749,417)
Beginning Net Position	<u>(15,222,735)</u>
Ending Net Position	<u>\$(16,972,152)*</u>
Unrestricted Net Position/Fund Balance	<u>\$(19,474,661)</u>

* CityNet cash deficit is \$13.6 million. This is the interfund loan from the General Fund to CityNet to fund operations and capital improvements.

* Ending net position is the difference between total assets and total liabilities, which includes fixed assets and net pension liability.

Financial Statement Highlights – Pension



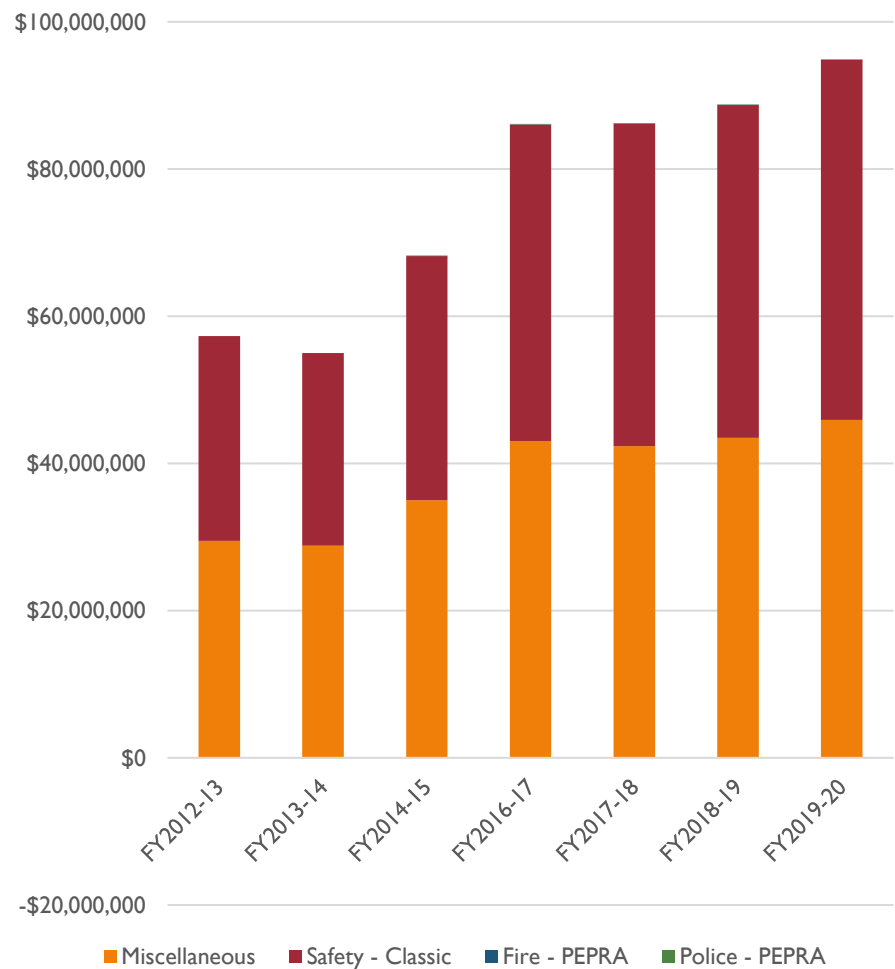
- \$9.7 million retirement benefit costs in FY2019-20
- \$10.9 million estimated retirement benefit costs in FY2020-21
- Net Pension Liability has increased by 77% since FY2013-14

Net Pension Liability	Miscellaneous	Safety	Total
June 30, 2019	\$43,474,515	\$45,216,872	\$88,691,387
June 30, 2020	45,902,570	48,942,165	94,844,735
Change – Increase (Decrease)	\$2,428,025	\$3,725,293	\$6,153,348



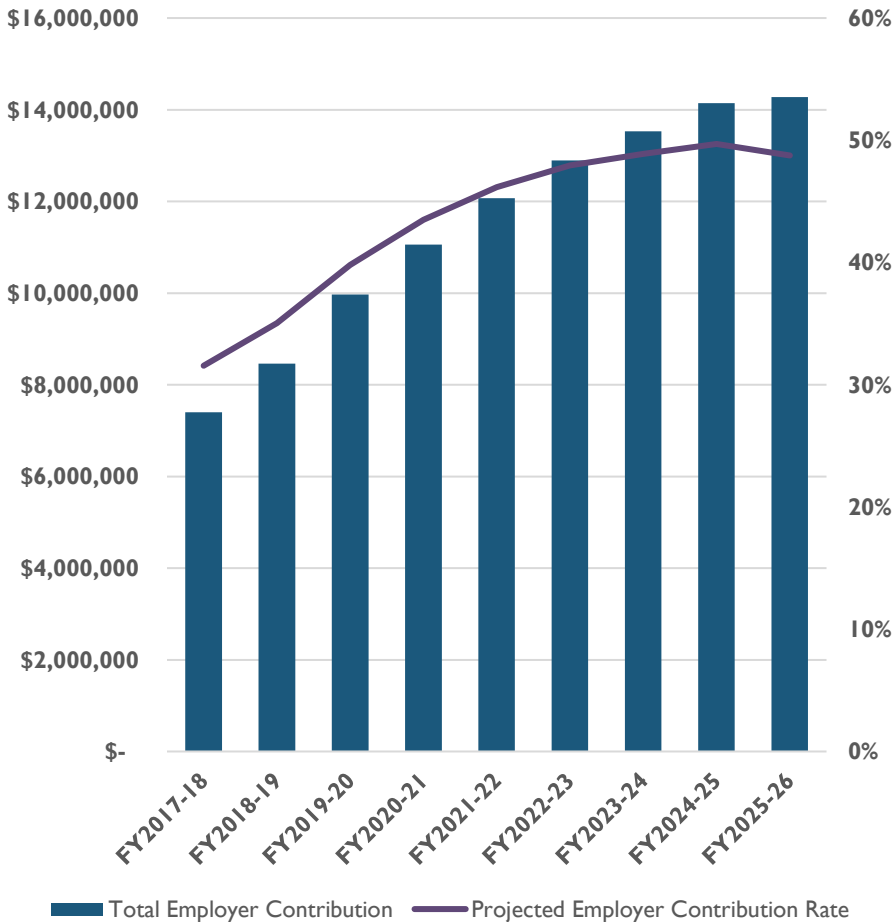
Pension - Cost Trends

Unfunded PERS Pension Liability



Employer Contribution & Percent of Total

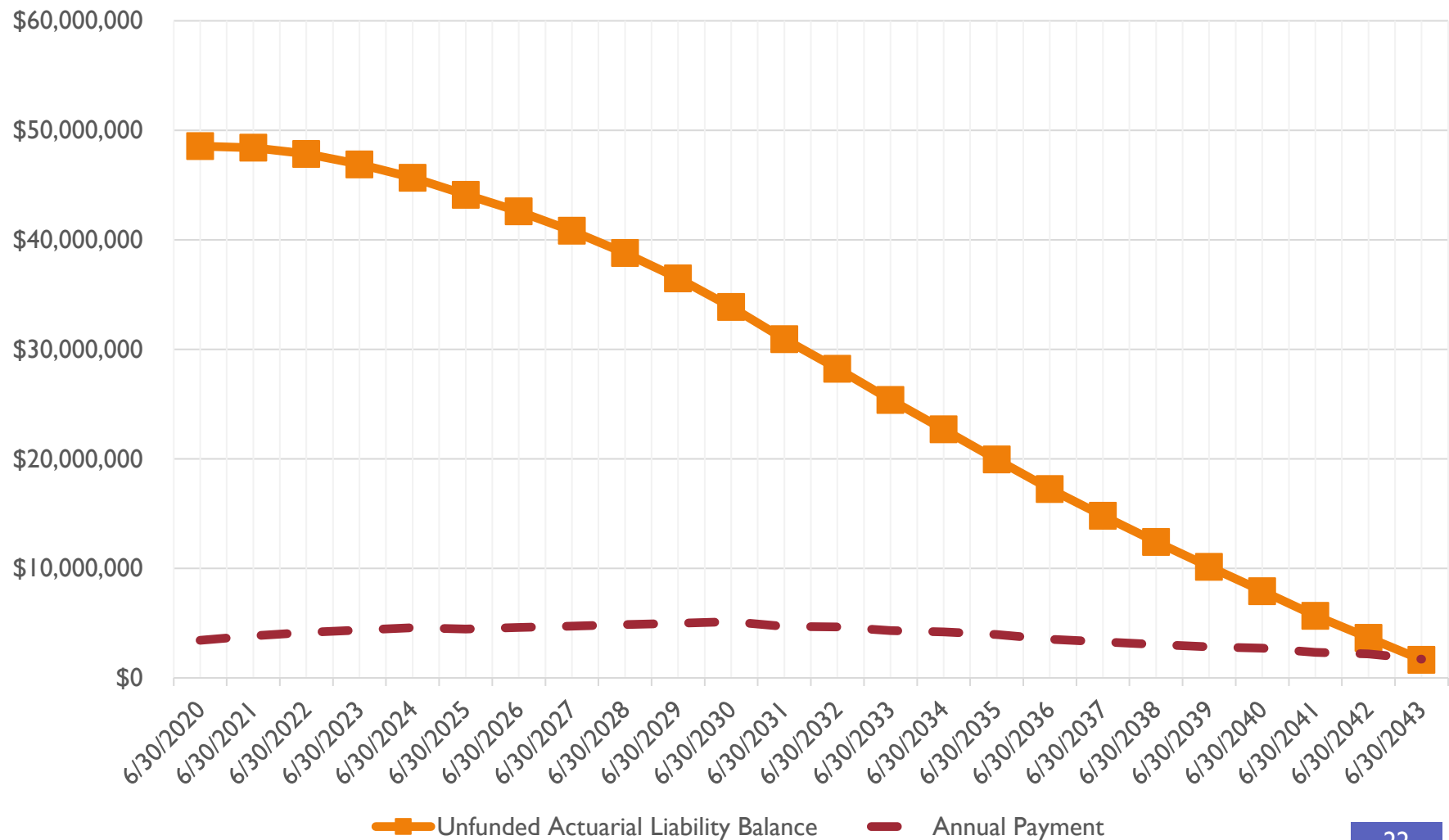
All Plans





Pension – Unfunded Liability Amortization

Miscellaneous Plan - Current UAL Amortization Schedule



Measure A Report



- Ensure compliance with the agreement for distribution of San Mateo County Measure A funds for local transportation purposes
- \$0.3 million spent on street rehabilitation, street medians, traffic calming measures, sidewalk repair, and accessible pedestrian ramps

Measure W Report



- Ensure compliance with the agreement for distribution of San Mateo County Measure W funds for local transportation purposes
- \$0.4 million will be appropriated to pavement management program in FY2020-21



Request to City Council

- No formal action
- Receive/accept presentation on the City's Comprehensive Annual Financial Report, the Measure A and Measure W Fund Reports on compliance, and Memorandum on Internal Control for the fiscal year ended June 30, 2020

Questions

